

OPTION AGREEMENT

This **OPTION AGREEMENT** ("this Agreement") is made as of _____, 2011 (the "Effective Date"), by and between **Linda L. Todd** (hereinafter called "Optionor") and the **City of Rio Dell**, a municipal corporation (hereinafter called "Optionee").

Recitals

This Agreement is entered into with reference to the following facts:

A. WHEREAS, Optionor is the owner of all that certain real property and improvements located in the City of Rio Dell, County of Humboldt, State of California, described in detail on attached **Exhibit "A,"** which is hereby incorporated by reference (hereinafter the "Property");

B. WHEREAS, Optionee desires to obtain an option to purchase the Property from Optionor on the terms and conditions set forth herein and Optionor is willing to grant such option to Optionee; and

C. WHEREAS, Optionee desires to subdivide the Property, if acquired, and sell portions of it to facilitate community development and revitalization and, potentially, retain portions of it for civic functions and use.

NOW, THEREFORE, in consideration of the mutual covenants and promises of the parties, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Agreement

1. **Grant of Option to Purchase.** Optionor grants to Optionee an option to purchase (this "Option") the Property from Optionor for the term and upon all of the terms, covenants and conditions set forth in this Agreement.

2. **Option Consideration.**

A. **Initial Option Term Consideration.** As consideration for the Initial Option Term of this Option (as defined in Section 4 of this Agreement, below), Optionee shall deliver to Optionor the sum of Six Thousand Dollars (\$6,000.00) payable in monthly payments to Optionor of \$1,000 per month on the first (1st) day of each month for six consecutive months, commencing on

_____, 2011. Should Optionee fail to make a payment on the date the payment is due, Optionor shall give Optionee written notice of default (the "Default Notice"). Optionee shall have fifteen (15) days from date of the Default Notice to cure said default. Should Optionee fail to cure the default within fifteen (15) days this Option Agreement shall terminate and Optionor and Optionee shall have no further rights or obligations under this Option Agreement. The Option Consideration shall be non-refundable and shall not apply towards the Purchase Price.

B. Option Term Extension(s) Consideration. As consideration for the First Option Term Extension of this Option (as defined in Section 4 of this Agreement, below), Optionee shall deliver to Optionor an additional sum of Three Thousand Dollars (\$3,000.00) payable in monthly payments to Optionor of \$1,000 per month for three consecutive months, commencing on _____, 2012. As consideration for the Second Option Term Extension of this Option (as defined in Section 4 of this Agreement, below), Optionee shall deliver to Optionor an additional sum of Three Thousand Dollars (\$3,000.00) payable in monthly payments to Optionor of \$1,000 per month for three consecutive months, commencing on _____, 2012. All Option Term Extension Consideration paid, if any, shall be non-refundable and shall not apply towards the Purchase Price.

3. Memorandum of Option to Purchase. Optionor has duly executed, acknowledged and delivered to Optionee a Memorandum of Option to Purchase in the form attached hereto as **Exhibit "B"**, and agrees that Optionee may cause such Memorandum of Option to Purchase to be recorded. Optionee agrees to execute, acknowledge and deliver to Optionor a Quitclaim Deed to the Property promptly at the request of Optionor if Optionee does not exercise the option hereunder if such is necessary to clear Optionor's title. Optionor shall bear any expense of recording such instrument.

4. Term of Option and Exercise. The initial term of this Option shall commence upon the Effective Date of this Agreement and shall expire at midnight on _____, 2012 *[Insert date which is 6 months after Effective Date]* (the "Initial Option Term") unless terminated earlier pursuant to Section 2.A., above. Optionee shall have the right, but not the obligation, to extend the term of this Option for an additional three (3) month period (the "First Option Term Extension") by providing written notice of its election to extend the Option to Optionor prior to expiration of the Initial Option Term. Thereafter, Optionee shall have the right, but not the obligation, to extend the term of this Option for a second, additional three (3) month period (the "Second Option Term Extension") by providing written notice of its election to extend the Option to Optionor prior to expiration of the First Option Term Extension. Once all

Conditions Precedent (as defined in Section 11, below) have been met, Optionee may exercise this Option at any time during the Initial Option Term, the First Option Term Extension (if exercised) or the Second Option Term Extension (if exercised) by giving Optionor written notice of its intention to exercise the Option. Unless otherwise noted the "term" of this Option, as used in this Agreement, shall include the Initial Option Term and the First and Second Option Term Extensions. If not exercised during the Initial Option Term or the First or Second Option Term Extensions, as noted above, this Option shall automatically and without further notice, act or documentation by any party expire on the date aforesaid. In the event that Optionee does not exercise this Option, the consideration paid by Optionee for this Option may be retained by Optionor without deduction or offset. As soon as reasonably practicable after exercise of this Option, the parties shall execute and cause to be recorded a Notice of Exercise of Option, in the form of **Exhibit "C"** attached hereto.

5. Existing Leases. Optionee acknowledges that the following leases (hereinafter called the "Leases"), have been entered into between Optionor with the following named tenants. This Option and Optionee's purchase of the Property shall be subject to the rights of the tenants thereunder:

Name Tenant	Property Affected	Date Expiration Lease
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1.

2.

Optionee acknowledges receipt from Optionor of a copy of each of the Leases and that Optionee has read the same. Optionor agrees not to enter into or permit any extension of the term of any of the Leases or any modification of any terms thereof, or waive or otherwise relinquish any optional right of termination thereof during the term of this Option, or after exercise thereof, without the prior written consent of Optionee.

6. Purchase Price. The purchase price which Optionee agrees to pay for the Property upon the exercise of this Option is the sum of Nine Hundred and Seventy-Five Thousand Dollars (\$975,000.00) (the "Purchase Price"), payable as follows:

A. Down Payment: Optionee shall pay Optionor Two Hundred Thousand Dollars (\$200,000.00) (the "Down Payment") within five (5) days after delivering the Notice of Exercise of Option to Optionor.

B. Seller Carry Back Financing: The remainder of the Purchase Price, less the amount of the Down Payment, shall be reduced to an unsecured Promissory Note (the "Note") with a principal balance of Seven Hundred and Seventy-Five Thousand Dollars (\$775,000.00), in the form appended hereto as **Exhibit D**. The Note shall bear no interest, and shall be payable as follows:

1. During the Term of the Note, Optionee shall pay Optionor the sum of One Thousand Five Hundred Dollars (\$1,500.00) per month on the first (1st) day of each month, with payments commencing after such time as the number of months passed after exercise of the Option exceeds the total amount of Option Consideration paid to Optionor under Section 2 of this Agreement, divided by the sum of \$1,500.00. For purposes of example only, if a total of \$12,000.00 is paid in Option Consideration to Optionor, the \$1,500.00 monthly payments on the Note shall commence 8 months after the Option is exercised by Optionee (i.e., $\$12,000 \div \$1,500 = 8$ months). As soon as the first payment is made to Optionor pursuant to paragraph 6.B.2, below, all further monthly Note payments pursuant to this paragraph shall cease.

2. In addition to the payments made on the Note under Section 6.B.1., above, the Note shall be paid in incremental payments from proceeds from the sale(s) of the Property (and/or portions thereof) as follows: 10% of the purchase price of all sales of portion(s) of the Property shall be paid to Optionor (or Note holder assign) out of the first \$2,000,000.00 in sales proceeds realized from sales by Optionee to third parties (i.e., 10% of the first \$2,000,000.00 of sales proceeds); 40% of the purchase price of all sales of portion(s) of the Property shall be paid to Optionor (or Note holder assign) out of the next \$1,000,000.00 in sales proceeds realized from sales by Optionee to third parties (i.e., 40% of the next \$1,000,000.00 of sales proceeds); and, 80% of all sales proceeds realized from sales of portions of the Property to third parties in excess of \$3,000,000.00 shall be paid to Optionor (or Note holder assign) (i.e., 80% of sales proceeds in excess of \$3,000,000.00), until the Note principal (and accrued interest) is paid in full. Once the Note principal (i.e. \$775,000.00) and accrued interest is paid in full, whether by one sale of a portion of the Property or as a result of multiple sales of portions of the Property or by balloon payment at maturity, Optionor's rights to share in property sales proceeds shall immediately and automatically terminate.

3. Any amounts still owing under the Note five (5) years following the Closing Date, if any, shall be paid in the form of a single balloon payment to Optionor (or Note holder assign). Optionee shall have the right, but not the obligation (except in the event portions of the Property are sold), to prepay all or any portion of the Note at any time during its term, with all prepayments applied first to accrued interest and the remainder to principal.

7. **Escrow.** Within ten (10) calendar days after exercise of this Option, Optionee and Optionor shall open an escrow for this transaction at Humboldt Land Title Company, Eureka, California Branch Office, attention Sue Bosch ("Escrow" and "Escrow Officer", respectively). The purchase and sale shall be consummated at the aforesaid escrow within ninety (90) days after the exercise of this Option by Optionee (the "Closing Date").

This transaction shall be consummated and the escrow closed in the following manner:

a. Optionor shall deposit (1) a duly executed and acknowledged Grant Deed conveying the Property to Optionee in the form attached hereto as **Exhibit "E,"** and (2) a duly executed and acknowledged Assignment of Lessor's Interest in Leases in the form attached hereto as **Exhibit "F."**

b. Optionee shall deposit the Note for the balance of the Purchase Price bearing the principal terms recited in Section 6.B. of this Agreement, above.

c. Escrow shall close when the Escrow Officer is in a position to issue the title insurance policy described in Section 8, below, showing title to the Property vested of record in Optionee (or its assignee or nominee). Closing shall be deemed to have occurred when the Grant Deed is recorded.

d. Real estate taxes and any cash rentals accruing from the Property shall be prorated between the parties as of the Closing Date.

8. **Condition of Title Upon Closing Date.** Optionor shall deliver marketable title to Optionee on the Closing Date subject only to (i) the then current real estate taxes and assessments constituting liens not then due or payable; and (ii) those exception nos. ____-____, as shown on that certain preliminary title report issued by _____, dated _____, attached hereto as **Exhibit "G"**. Optionee's title shall be insured by a ALTA policy of title insurance insuring that as of the Closing Date the Property is vested of record in Optionee (or its assignee or nominee).

9. **Possession.** Possession of the Property shall be delivered to Optionee upon the Closing Date, subject to the rights of any tenants under the Leases.

10. **Optionee's Right to Negotiate Subdivided Parcel Sales.** Optionor acknowledges that Optionee, should it proceed to purchase the Property, intends to subdivide and sell portions of the Property to third parties (the "Project"). During the term of this Option, Optionee shall have the right to enter negotiations with third parties regarding potential sales of all, or any subdivided portion(s) of, the Property, so long as such third party sales are contingent upon the prior Closing of this Agreement and Optionee's acquisition of the Property and execution of the Note, and payment of the percentages of the proceeds from parcel sales set forth in Section 6.B.2, above, from any such subsequent sales to Optionor. The remaining revenue the Optionee receives from any sales of portions of the Property after payment to the Optionor of the percentages set forth in Section 6.B.2, above, and all Project loan funds shall be restricted for use for only Project expenses and segregated in a separate account. Optionee will provide Optionor a quarterly detailed statement of all transactions of said account until the Note has been paid in full.

11. **Conditions Precedent to Exercise of Option.** Each of the following conditions must be met prior to Exercise of the Option by Optionee ("Conditions Precedent"):

A. Optionee shall obtain firm commitments from a financially viable third party (or parties) to purchase some portion(s) of the Property in an amount (or amounts totaling) not less than two million dollars (\$2,000,000.00) in sales, as evidenced by executed written development agreements with the third party (or third parties) containing binding commitments to purchase some portion(s) of the Property in connection with the Project.

B. Optionee shall execute an assignment of interest to the Optionor in the development agreements equal to the amount of payment payable under the Note set forth in Section 6.B.2, so that said portion of the sales price paid by third parties is paid directly to Optionor (or Note holder) directly out of any escrow opened for said sale(s); and

C. Optionee shall obtain a written commitment from third parties (or third party public entities) to fund at least two million dollars (\$2,000,000.00), less any cash and/or capital contributed to the Project by the Optionee, for the sole purpose of infrastructure development on the Property.

12. **Damage or Destruction.** Except for any damage or destruction attributable to the activities of Optionee or Optionee's agents, employees or contractors, in the event that prior to Closing Date the Property or any improvements thereon are destroyed or materially damaged, Optionor shall bear the risk of loss therefor, and Optionee may elect to cancel this Agreement and receive back from Optionor all consideration previously paid to Optionor for this Option or may purchase the Property at the purchase price set forth herein less the amount by which such damage or destruction has decreased the fair market value of the Property.

13. **Hazardous Substances.** Optionor hereby certifies that Optionor has no personal knowledge of and has not been served (by means of formal, legal service of process as required by law) or notified in writing by any governmental or quasi-governmental authority (i) that the Property or any adjoining property, contains or may contain any "Hazardous Materials" in violation of any "Environmental Regulations" (as those terms are defined in Section 13.A and 13.B, below); or (ii) that the Optionor has stored, used or maintained Hazardous Materials or suffered, permitted, allowed or acquiesced in any storage, use or maintenance of Hazardous Materials on, in or under the Property in violation of any Environmental Regulations. As used in this Agreement, the terms "Environmental Regulations" and "Hazardous Materials" shall have the following meanings:

A. "Environmental Regulations" shall mean all applicable statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, and similar items, of all governmental agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof and all applicable judicial and administrative and regulatory decrees, judgments and orders relating to the protection of human health or the environment, including, without limitation: (i) all requirements, including but not limited to those pertaining to reporting, licensing, permitting, investigation and remediation of emissions, discharges, releases or threatened releases of Hazardous Materials, whether solid, liquid or gaseous in nature, into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, whether solid, liquid or gaseous in nature; and (ii) all requirements pertaining to the protection of the health and safety of employees or the public.

B. "Hazardous Materials" shall mean (i) any flammables, explosive or radioactive materials, hazardous wastes, toxic substances or related materials including, without limitation, substances defined as "hazardous substances," "hazardous materials", "toxic substances" or "solid waste" in the Comprehensive

Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Sec. 9601, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq.; the Toxic Substances Control Act, 15 U.S.C., Section 2601 et seq.; the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901 et seq.; and in the regulations adopted and publications promulgated pursuant to said laws; (ii) those substances listed in the United States Department of Transportation Table (49 C.F.R. 172.101 and amendments thereto) or by the Environmental Protection Agency (or any successor agency) as hazardous substances (40 C.F.R. Part 302 and amendments thereto); (iii) those substances defined as "hazardous wastes," "hazardous substances" or "toxic substances" in any similar federal, state or local laws or in the regulations adopted and publications promulgated pursuant to any of the foregoing laws or which otherwise are regulated by any governmental authority, agency, department, commission, board or instrumentality of the United States of America, the State of California or any political subdivision thereof, (iv) any pollutant or contaminant or hazardous, dangerous or toxic chemicals, materials, or substances within the meaning of any other applicable federal, state, or local law, regulation, ordinance, or requirement (including consent decrees and administrative orders) relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material, all as amended; (v) petroleum or any by-products thereof; (vi) any radioactive material, including any source, special nuclear or by-product material as defined at 42 U.S.C. Sections 2011 et seq., as amended, and in the regulations adopted and publications promulgated pursuant to said law; (vii) asbestos in any form or condition; and (viii) polychlorinated biphenyls.

14. Right to Enter. During the term of this Option and prior to the Closing Date, Optionee and its designated agents and independent contractors shall have the right to enter upon the Property to the extent necessary for the purpose of conducting soils tests and engineering studies and planning Optionee's development, subdivision and sale of the Property (or portions thereof). Optionee agrees to repair any damage it or its agents or independent contractors cause to the Property and further agrees to indemnify and hold Optionor harmless from any and all costs, expenses, losses, attorney's fees, and liabilities, including, but not limited to, claims of mechanic's liens, incurred or sustained by Optionor as a result of any acts of Optionee, its agents or independent contractors pursuant to this Section. Optionee further agrees that in the event Optionee fails to exercise this Option, any and all soils tests, engineering studies, environmental reports, and any other documentation developed, prepared or submitted for the purpose of obtaining rezoning or development of the Property, tentative subdivision maps, tentative parcel maps or other development approvals, shall be delivered to Optionor at no expense to Optionor and shall become Optionor's property. During the term of the Option, Optionor agrees to assist Optionee in any reasonable manner to obtain any necessary

rezoning, maps, or other necessary permits for Optionee's proposed development as long as such assistance is in no way at any cost or expense to Optionor and in no way commits or binds the Property to a change in the use or zoning of the Property should Optionee fail to exercise its option rights and proceed to Closing.

15. Time of Essence; Failure To Exercise Option. Time is of the essence of this Option agreement. If this Option is not exercised in the manner provided in Section 4, above, before expiration of the Option Term (as extended), Optionee shall have no interest whatever in the Property and this Option may not be revived by any subsequent payment or further action by Optionee.

16. Attorneys Fees. If either party named herein brings an action or proceeding to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action (or proceeding), on trial or appeal, shall be entitled to its reasonable attorneys' fees to be paid by the losing party as fixed by the Court (or if applicable, the arbitrator).

17. Assignment. This Agreement may be fully and freely assigned by Optionor. Conversely, Optionee is expressly prohibited from assigning any and all interests the Optionee may have in this Agreement, prior to Closing. Said restriction on assignment, however, shall not prohibit Optionee from exploring potential subdivision and parcel sales in accord with Section 10 of this Agreement, above.

18. Integration (Entire Agreement) Provision. This Agreement, and the Exhibits attached hereto, represent the entire Agreement between the parties in connection with the transactions contemplated hereby and the subject matter hereof and this Agreement supersedes and replaces any and all prior and contemporaneous agreements, understandings and communications between the parties, whether oral or written, with regard to the subject matter hereof. There are no oral or written agreements, representations or inducements of any kind existing between the parties relating to this transaction which are not expressly set forth herein, or attached hereto. This Agreement may not be modified except by a written agreement signed by both Optionor and Optionee. Without limiting the foregoing, Optionor and Optionee expressly acknowledge and agree that they have not relied on any written or oral statements made by the other party's broker, agent, attorney, or representative in entering into this Agreement.

19. Notice Provision. All notices to be given pursuant to this Agreement shall be either (i) personally delivered; (ii) sent via certified or registered mail, postage prepaid; (iii) overnight courier (such as Federal Express, DHL, etc.); or (iv) by telecopy transmittal. If sent via certified or registered mail, receipt shall be deemed effective forty-eight (48) hours after being deposited in the United States mail. If sent via telecopy transmission, a confirming copy shall be sent to the sender, and receipt of the telecopy

transmittal shall be deemed made twenty-four (24) hours after the sending thereof. If sent via overnight courier, receipt shall be deemed effective twenty-four (24) hours after the sending thereof. All notices to be given pursuant to this Agreement shall be given to the parties at the following respective address.

To Optionee: Linda Todd
8866 Rocky Canyon Road
Atascadero, CA 93422

To Optionor: City of Rio Dell
675 Wildwood Avenue
Rio Dell, CA 95562

20. Governing Law and Venue. This Agreement has been prepared, negotiated and executed in, and shall be construed in accordance with, the laws of the State of California. Any action or proceeding relating to or arising out of this Agreement shall be filed in the Superior Court of the State of California for the County of Humboldt, California.

21. Further Acts. To the extent consistent with this Agreement, the parties agree to take such further acts which are necessary to effectuate this Agreement, such as the execution of Deeds and other documents.

22. Broker Provision. Both Optionee and Optionor warrant and represent that neither has engaged nor dealt with any broker or finder in connection with the sale contemplated by this Agreement. Optionee agrees to pay, and hold the Optionor harmless, from and against any commission or finder's fee payable to a broker or any other party who represents Optionee; likewise, Optionor agrees to pay, and hold the Optionee harmless, from and against any commission or finder's fee payable to a broker or any other party who represents Optionor.

23. No Waivers. No waiver by any party at any time of any breach of any provision of this Agreement shall be deemed a waiver or a breach of any other provision herein or a consent to any subsequent breach of the same or another provision. If any action by any party shall require the consent or approval of another party, such consent or approval of such action on any one occasion shall not be deemed a consent to or approval of such action on any subsequent occasion or a consent to or approval of any other action.

24. Captions and Headings. The captions and section numbers appearing in this Agreement are inserted only as a matter of convenience and do not define, limit, construe, or describe the scope or intent of this Agreement.

25. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be considered an original and all of which taken together shall constitute one and the same instrument.

26. **Severability.** If any provision (or any portion of any provision) of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of this Agreement, the legality, validity, and enforceability of the remaining provisions (or the balance of such provision) shall not be affected thereby.

27. **Drafting of Agreement.** Optionee and Optionor acknowledge that this Agreement has been negotiated at arm's length, that each party has been represented by independent counsel, or has had the opportunity to retain and consult independent counsel, and that this Agreement has been drafted via a cooperative effort by both parties and no one party shall be construed as the draftsperson. The parties have freely and voluntarily entered this Agreement, in their own interests and of their own volition.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

"OPTIONOR": Linda L. Todd

Date: _____, 2011

Linda L. Todd

"OPTIONEE": City of Rio Dell

Date: _____, 2011

By: _____

Name: _____

Its: _____

LIST OF EXHIBITS:

Exhibit A: Property Description
Exhibit B: Memorandum of Option to Purchase
Exhibit C: Notice of Exercise of Option
Exhibit D: Form of Promissory Note
Exhibit E: Form of Grant Deed

Exhibit F: Assignment of Lessor's Interest in Leases
Exhibit G: Preliminary Title Report dated _____, 2011

EXHIBIT B

MEMORANDUM OF OPTION AGREEMENT

Recording requested by: City
of Rio Dell

And When Recorded Return
to:

City of Rio Dell
675 Wildwood Ave.
Rio Dell, CA 95562

APN:

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Memorandum of Option to Purchase

This Memorandum of Option (this "Memorandum") is made this ____ day of _____, 2011 by and between Linda L. Todd ("Optionor") and City of Rio Dell ("Optionee").

1. Optionor hereby grants to Optionee an option to purchase all of that certain real property and improvements located in the City of Rio Dell, County of Humboldt, State of California, more particularly described on Exhibit "A" attached hereto and incorporated herein (the "Property").

2. The specific terms and conditions of Optionee's option to purchase are set forth in that certain Option Agreement dated _____, 2011. All of the terms and conditions of the said Option Agreement are incorporated herein by this reference.

3. The term of the option expires on _____, 20__.

4. Any party who is interested in acquiring an interest in the Property should contact the Optionor and Optionee. The Optionor's address is 8866 Rocky Canyon Road, Atascadero, CA 93422; and the Optionee's address is 675 Wildwood Ave., Rio Dell, CA 95562.

IN WITNESS WHEREOF, this Memorandum has been executed this ____ day of _____, 2011.

"OPTIONOR": Linda L. Todd

Date: _____, 2011

Linda L. Todd

"OPTIONEE": City of Rio Dell

Date: _____, 2011

By: _____

Name: _____

Its: _____

[Attach Notary Acknowledgement]

EXHIBIT C
NOTICE OF EXERCISE OF OPTION

Recording requested by: City
of Rio Dell

And When Recorded Return
to:

City of Rio Dell
675 Wildwood Ave.
Rio Dell, CA 95562

APN: _____

SPACE ABOVE THIS LINE FOR RECORDER'S USE

NOTICE OF EXERCISE OF OPTION

City of Rio Dell ("Optionee") hereby exercises its right to purchase the "Property" identified in that certain written Option Agreement dated _____, ("Option Agreement") entered by and between Optionee and Linda L. Todd ("Optioner").

This Exercise Notice is issued and the option is exercised pursuant to Section 4 of the Option Agreement, without condition or qualification, in accord with all terms and provisions thereof.

Signed and executed as of _____, _____.

OPTIONEE:

City of Rio Dell

By: _____

Name: _____

Its: _____

EXHIBIT D

PROMISSORY NOTE

Principal Amount: \$775,000.00
Place of Creation: Rio Dell, California
Date of Creation:

For value received, CITY OF RIO DELL ("Borrower"), promises to pay to LINDA L. TODD ("Holder"), or order, at 8866 Rocky Canyon Road, Atascadero, CA 93422, the sum of Seven Hundred and Seventy-Five Thousand Dollars (\$775,000.00), which shall bear no interest, payable as follows:

1. During the Term of the Note, Optionee shall pay Optionor the sum of One Thousand Five Hundred Dollars (\$1,500.00) per month on the first (1st) day of each month, with payments commencing at the date set forth in that certain written Option Agreement dated _____, 2011 (the "Option Agreement") and executed by and between Holder (as "Optionor") and Borrower (as "Optionee"). All payments shall be applied first to principal and then to interest. As soon as the first payment is made from the sale of the Property (and/or portions of the Property) under paragraph 2, below, all further monthly Note payment obligations recited in this paragraph 1 shall cease.
2. In addition to the payments made on the Note pursuant to paragraph 1, above, the Note shall be paid in incremental payments from proceeds from the sale(s) of the Property (and/or portions of the Property) (as said term is defined in the Option Agreement) as follows: 10% of the purchase price of all sales of portion(s) of the Property shall be paid to Holder out of the first \$2,000,000.00 in sales proceeds realized from sales by Borrower to third parties (i.e., 10% of the first \$2,000,000.00 of sales proceeds); 40% of the purchase price of all sales of portion(s) of the Property shall be paid to Holder out of the next \$1,000,000.00 in sales proceeds realized from sales by Borrower to third parties (i.e., 40% of the next \$1,000,000.00 of sales proceeds); and, 80% of all sales proceeds realized from sales of portions of the Property to third parties in excess of \$3,000,000.00 shall be paid to Holder (i.e., 80% of sales proceeds in excess of \$3,000,000.00), until the Note balance is paid in full. Once the Note principal (i.e. \$775,000.00) and accrued interest is paid in full, whether by one sale of a portion of the Property or as a result of multiple sales of portions of the Property or

EXHIBIT D

by balloon payment at maturity, Holder's rights to share in property sales proceeds shall immediately and automatically terminate.

The maturity date of this Promissory Note shall be five (5) years from the Date of Creation ("Maturity Date"). On the Maturity Date any and all unpaid principal, accrued and unpaid interest and any other sums due under this Promissory Note shall become immediately due and payable in one (1) final balloon payment.

Payments more than fifteen (15) days late shall bear a late payment penalty charge in the amount of One Hundred Dollars (\$100.00), in addition to the outstanding payment(s). This Note shall be in default if more than thirty (30) days in arrears, and shall thereafter bear interest at the default rate of ten percent (10%). In the event of default, the whole sum of principal and interest, as well as accrued penalties, shall become immediately due at the option of the Holder of this Note. Principal and interest shall be payable in lawful money of the United States. If this Note is not paid when due, Borrower promises to pay in addition all costs of collection and reasonable attorneys' fees incurred by the Holder hereof on account of such collection, whether or not suit is filed hereon. Each individual executing this Promissory Note in the capacity of Borrower shall be jointly and severally liable to Holder for all obligations stated herein.

Executed this ____ day of _____, 20____, in Rio Dell, California:

BORROWER: City of Rio Dell

By: _____

Name: _____

Its: _____

EXHIBIT E

RECORDING REQUESTED BY:

Mitchell, Brisso, Delaney & Vrieze, LLP

**When Recorded Mail Document
and Tax Statement To:**

City of Rio Dell
675 Wildwood Ave.
Rio Dell, CA 95562

APN: _____

SPACE ABOVE THIS LINE FOR RECORDER'S USE

GRANT DEED

The undersigned grantor(s) declare(s)

Documentary transfer tax is \$ -0- (R & T Code § 11922)

- ☐ computed on full value of property conveyed, or
☐ computed on full value less value of liens or encumbrances remaining at time of sale
☒ City of Rio Dell
☒ Exempt from transfer tax; Reason: Transfer to Public Entity

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

Linda L. Todd

hereby grant(s) to: **City of Rio Dell, a Municipal Corporation**

the following described real property in the City of Rio Dell, County of Humboldt, State of California:

See Exhibit "A" attached hereto and made a part hereof.

DATED:

STATE OF CALIFORNIA

COUNTY OF _____

On _____, 20____, before me,
_____, Notary Public, personally appeared

Linda L. Todd

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

EXHIBIT F

ASSIGNMENT OF LEASES

This ASSIGNMENT OF LEASES (this "Assignment") is made as of the ____ day of _____, 20____, by and between Linda L. Todd ("Assignor"), and City of Rio Dell, a municipal corporation ("Assignee"), with reference to the following facts:

RECITALS

A. WHEREAS, Assignor is the owner of that certain real property and improvements thereon located in the City of Rio Dell, County of Humboldt, State of California, commonly known as _____, and legally described on **Exhibit "A,"** attached hereto and incorporated herein (the "Property").

B. WHEREAS, on or about the date hereof, Assignor has sold all of its right, title and interest in and to the Property to Assignee, including but not limited to all of Assignor's right, title and interest in and to each and all of those leases of portions of the Property, more particularly listed and described on **Exhibit "B,"** attached hereto and incorporated herein (the "Leases").

C. Assignor and Assignee desire to enter into this Assignment to confirm the assignment by Assignor to Assignee of all of Assignor's right, title and interest in and to the Leases and to confirm Assignee's assumption of Assignor's obligations under the Leases as of _____, 20____ (the "Effective Date").

NOW, THEREFORE, in consideration of the mutual covenants of the parties herein, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

AGREEMENT

1. Assignment by Assignor. Assignor hereby sells, transfers and assigns to Assignee all of Assignor's right, title and interest in and to each and all of the Leases, effective the Effective Date.

2. Acceptance and Assumption by Assignee. Assignee hereby accepts the foregoing assignment and transfer and specifically assumes and agrees to perform and observe each and every covenant, agreement and condition to be performed or observed by the "Landlord" or "Lessor" under each and all of the Leases.

3. Governing Law. This Assignment is made and entered into in the State of California and shall be interpreted, construed and enforced in accordance with the laws of the State of California.

4. Binding Effect. This Assignment shall apply to, bind, and inure to benefit of Assignor and Assignee, and their respective heirs, legal representatives, successors and assigns.

5. Counterparts. This Assignment may be executed in one or more counterparts, each of which shall be an original, but all of which shall together constitute one instrument.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of the date first above written.

“ASSIGNOR”:

By: _____
Linda L. Todd

“ASSIGNEE”:

City of Rio Dell

By: _____

Name: _____

Its: _____